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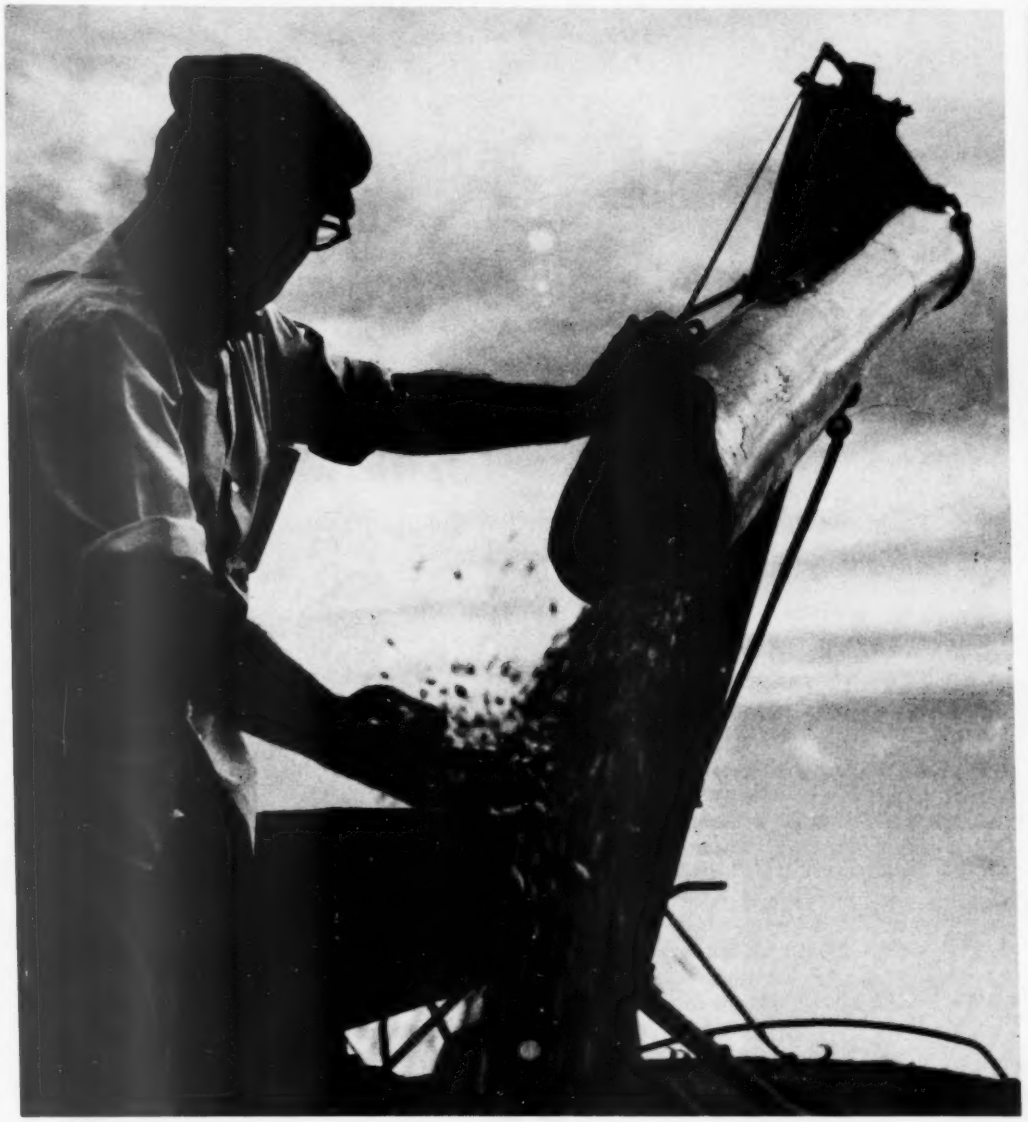

MARCH 19, 1973

Cattle Hide Price Spiral

Yugoslavia's Farm Output and Trade

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In this issue:

2 Price Spiral Hit Cattle Hide Market in 1972 By Roger S. Lowen

6 Argentina Expects Record Grain Production, Exports To Double By James P. Rudbeck

8 Yugoslav Crops Suffer Setback in '72—May Give Impetus to U.S. Farm Sales By James R. Hickman

10 Yugoslavia Balances Trade, Lowers Some Import Barriers By James R. Hickman

12 Uganda's 5-Year Plan May Change Traditional Farming Methods By Theodore R. Freeman, Jr.

14 Canadian Tobacco Faces Problems as United Kingdom Joins Common Market

16 Crops and Markets

This week's cover:

An Argentine farmer checking the grain flow from corn harvester. This crop year, Argentina expects a record grain harvest and a doubling of exports over last year's. The corn harvest is forecast at 9.6 million tons. See story beginning on page 6.

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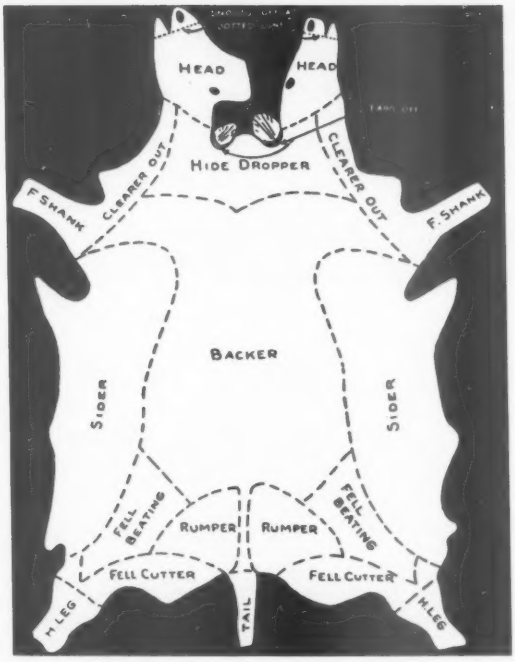
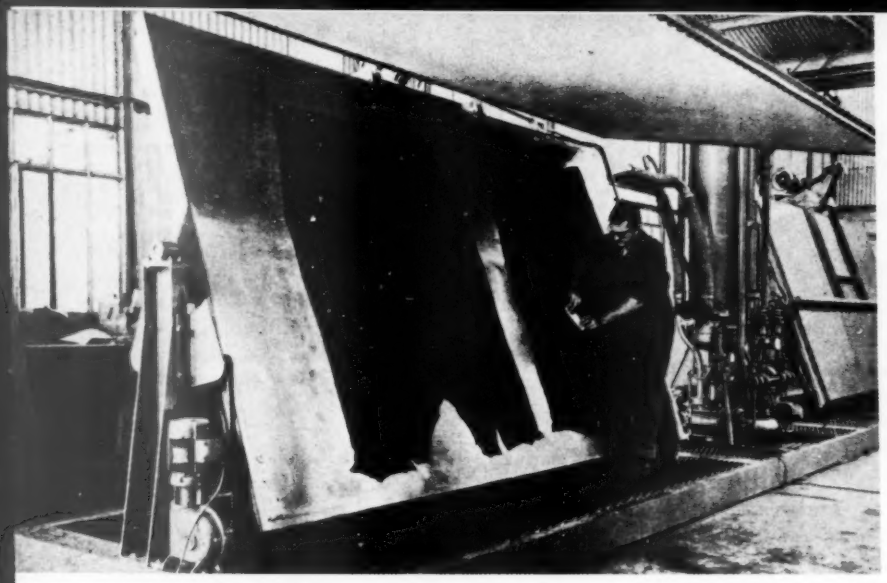
Right, processing cattle hides. Below, cattle carcasses being skinned and diagram of a standard hide trim pattern.





PRICE SPIRAL HIT CATTLE HIDE MARKET IN 1972

By Roger S. Lowen
Livestock and Meat Products Division
Foreign Agricultural Service

The world market for cattle hides last year was gripped by one of its periodic, but unusually strong, price spurts, which saw U.S. prices soar to alltime highs triple the 1971 average.

Although it is difficult to sort out all aspects of the complex supply-demand situation behind this spiral, certain factors stand out.

Demand last year was very strong, as seen in a sharp rise in both quantity and price of U.S. exports, which soared to a record 18.0 million cattle hides. Supply, on the other hand, continued its very slow growth of recent years, and some trade distortions arose as a result of export restrictions in Argentina, Brazil, and other countries.

The latter development has come about as a result of developing countries with large livestock industries attempting to direct more of their hide production into local manufacturing rather than the world market—a trend that is expected to continue over the years. This, in turn, will have a tendency to shift production of leather goods out of countries like Italy and Spain that depend on the world market for large amounts of raw material.

A further complication is that the supply of hides is not responsive to demand, since hides are byproducts of meat production and dependent on cattle herd buildup, which is slow even under the best of conditions.

During 1972, Chicago prices for heavy native steer hide (a standard type of hide) skyrocketed from the 14.4 cents-per-pound average for 1971 to a peak of 46 cents during the first 2 days of November. At that point, they dropped sharply, skidding to 32 cents by mid-December. Prices remained close to that level through the first week of February and then eased to 30 cents in early March.

This upsurge in 1972 hides prices had a mixed impact.

After years of relatively low prices, livestock producers, meat packers, and exporters enjoyed substantially larger receipts for cattle hides. The U.S. trade balance was helped by a surge in export earnings from $129 million in 1971 to $264 million in 1972.

Domestic leather tanners and shoe manufacturers, on the other hand, fear that increased cattle hide costs could lead to further reductions in domestic shoe production, expanded shoe imports, higher retail prices for shoes, and increased unemployment within the industry. Even during the past decade of relatively low cattle hide prices and ample supply, domestic "wettings" by tanners and domestic production of shoes declined about 10 percent. At the same time, imports of nonrubber shoes surged to 260 million pairs, or one-third of domestic consumption.

Extreme fluctuations have not been typical of the past 5 years, when cattle hide prices remained relatively stable at low levels, but they occurred regularly in the more distant past.

In 1965, for instance, monthly average prices almost doubled, climbing from a low of 10 cents per pound to over 19 cents. They continued to mount in 1966, leading the U.S. Government for the first time in history to impose restrictions on hide exports, and then fell almost as rapidly.

During the Korean War era—when prices reached levels close to those prevailing in 1972—a steep rise from about 21 cents in April 1950 to 37 cents the following January culminated in an even sharper drop. This long decline ended with a low of 11 cents reached in April 1952.

These changes in prices have been accompanied by shifts in the value of hides and skins relative to other livestock products. Until 1950, cattle hides (on a cents-per-pound basis) sold at prices equal to or substantially higher than live cattle. After 1950, cattle hide prices trailed those for live cattle—occasionally by as much as 50 percent. During the better part of 1972 prices of cattle hides approximated or exceeded those of live cattle. Now they again trail by about 25 percent.

A number of reasons have been advanced for last year's price rise. In the developing world, demand for leather products is an outgrowth of the economic progress being made, especially since one of the first acts of subsistence-level citizens is to purchase shoes when they enter the money economy. In Europe and America, leather boots, clothing, and accessories have gained in popularity. Also, interest in ecology and natural, as opposed to synthetic materials, has increased demand for a wide variety of leather products.

This demand has been reflected in the increased buying of hides and skins on the world market and the emergence of leather and leather-product indus-

tries in a number of the developing countries.

Among the importers, Japan—the world's largest—increased its total cattle hide imports in 1972 from the 422 million pounds purchased in 1971; a decade earlier, by comparison, its imports totaled only 259 million. Italy—the second largest importer—took 358 million pounds in 1971, compared with 194 million in 1962. A number of other importers, including Mexico and Spain, have also stepped up purchases over the years, and the USSR has remained a large importer—156 million pounds in 1971—although its purchases have been rather erratic, reflecting variances in domestic cattle slaughter.

Supply has adjusted very slowly to this growing demand, with world production of cattle hides remaining virtually static in recent years following a sharp upsurge between 1965 and 1968. Preliminary statistics for 1971 hide production—based on cattle, calf, and buffalo slaughter—in 60 selected countries show an outturn of about 183 million pieces of bovine hides and skins. A small increase probably took place in 1972. However, total availability of hides has risen somewhat more than these statistics indicate since there has been a steady decline in calf production in favor of heavier slaughter weights.

U.S. production has paralleled the world trend, rising sharply in the mid-1960's and then leveling off. U.S. output of cattle hides—the world's largest—totaled 36.3 million pieces in 1971 and probably showed only a slight gain in 1972.

The USSR and Europe (Western and Eastern combined) each produced between 35 million and 40 million bovine hides in 1971 and are not believed to have increased production in 1972.

Argentina, which ranks third after the United States and the USSR as a cattle hide producer, increased its production an estimated 6 percent to 13.1 million hides (cattle and calf) during 1972. Output also gained substantially in Australia—the fourth largest producer and one which is expected to grow in importance in coming years.

THE UNITED STATES also ranks as the world's top exporter of cattle hides. U.S. exports of cattle hides in 1972 reached a record 18.0 million, up 13 percent from 16.0 million in 1971. A large portion of this increase is attributable to the major U.S. customer, Japan, whose purchases reached 7.3 million, up 22 percent from the 1971 levels.

The second largest purchaser of U.S. hides, Mexico, took 1.8 million, down 18 percent from 1971. However, with an expanding domestic leather industry, Mexico should grow in importance as a market during the coming years.

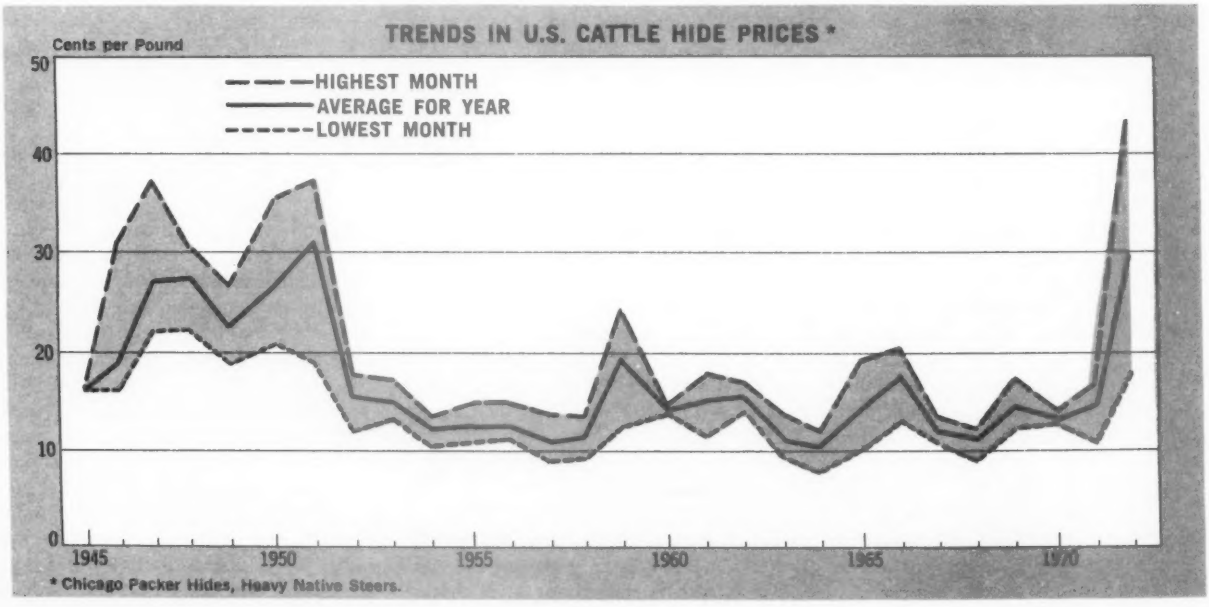
Purchases by the USSR, the world's third largest importer after Japan and Italy, fell 58 percent to 523,000 hides in 1972. Its takings have fluctuated sharply over the years, with those from the United States in the past 5 years ranging from 383,000 in 1968 to 1.5 million in 1970.

Imports of U.S. cattle hides by Romania were the third largest for any single country in 1972, increasing by 110 percent to 1.2 million. All of the Eastern European countries, excluding the USSR, increased their purchases to nearly 3.0 million hides, an increase of 42 percent over 1971. This increase balanced the smaller imports of the USSR, so the net gain in imports from the United States by the nations of Eastern Europe and the USSR amounted to only 4 percent.

Canada's imports from the United States rose 7 percent to 900,000, and Spain's decreased by 9 percent to 700,000. Other important purchasers of U.S. cattle hides have been the countries of Western Europe, South Korea, and Taiwan.

Growing demand from these importers has led to an increasingly larger share of the U.S. hide and skin production being exported. U.S. hide exports as a percent of commercial cattle slaughter have been moving upward for some time, rising from 21 percent in 1954 to 45 percent in 1971 and about 50 percent in 1972.

With the exception of short periods in 1966 and 1972, there have been no



restrictions on exports of U.S. cattle hides.

This relative freedom from restriction has not been the case, however, in some of the other exporting nations, especially several of the less-developed countries where governments are attempting to encourage the manufacture—and ultimately the export—of semifinished leather goods in lieu of hides and skins.

Among countries now restricting hide and skin trade is Argentina—traditionally the second largest exporter behind the United States but now being surpassed by Australia. Restrictions on most of Argentina's trade in raw and semifinished hides have led to a sharp drop in such exports, from 7.5 million hides in 1970 to 3.4 million in 1971 to about 1.3 million in 1972.

Brazil, Colombia, and India also restrict exports, but only Brazil has had significant export trade.

A portion of the reduced exports of hides from these countries has been offset by increased shipments of leather and leather products. By inflating raw-material prices in traditional cattle-hide importing countries, such as Italy and Spain, the controls have tended to shift tanning and shoe manufacturing from them to countries like Brazil, where hides for processing are ample and attractively priced.

A final reason for the increase in prices last year may have been the impact of speculative buying and forward contracting for hides by manufacturers to cover their future requirements in a tight market.

Predicting the future course of the market, particularly for a commodity as changeable as cattle hides, is hazardous at best, but most observers doubt that there will be a return to the low prices of the past decade. However, the history of cattle hide prices shows that high levels such as those attained in 1972 are often followed by sharp declines. The 14-cent slide between the first of November and the middle of December was typical of such market reactions.

Also, the supply-demand situation appears to be changing somewhat. World production of hides this year should be up between 3 and 4 percent, as U.S. production and other countries' slaughter, especially Argentina's and Australia's, continue to rise. Growth in demand, on the other hand, is likely to be depressed by the high prices that are still prevailing.

Among the common side effects of such high prices is a shift toward synthetic leather substitutes.

BOVINE HIDES AND SKINS: ESTIMATED PRODUCTION IN SPECIFIED COUNTRIES [1]
[In thousands of pieces]

Country	Average 1961-65	1968	1969	1970	1971 [2]
United States [3 4]	38,647	42,739	42,335	41,364	41,572
Argentina [3]	11,553	13,831	14,787	13,894	12,351
Canada	3,957	4,554	4,158	4,044	4,063
Mexico	3,171	3,500	3,660	3,900	4,100
Brazil	7,312	8,732	9,480	8,556	9,400
EC (Six)	19,852	20,921	19,970	20,608	20,240
United Kingdom	4,040	3,999	3,804	4,043	3,958
Eastern Europe	9,885	11,456	11,658	11,027	11,222
USSR	31,342	40,724	38,527	35,625	39,190
South Africa, Republic of	2,851	2,176	2,391	2,530	2,620
Australia	5,889	5,516	5,766	5,727	6,071
New Zealand	2,505	2,753	3,130	3,068	2,814
38 other selected countries	21,194	22,207	23,077	24,264	25,121
Total	162,198	183,108	182,743	178,650	182,722

[1] Estimated from cattle and calf slaughter. [2] Preliminary. [3] Includes an estimate for death losses. [4] Excludes Alaska and Hawaii.

CATTLE HIDES: IMPORTS OF SPECIFIED COUNTRIES
[In millions of pounds]

Country	Average 1961-65	1968	1969	1970	1971 [1]
Japan	279	382	448	466	422
Italy	207	319	443	395	358
USSR [2]	186	162	131	180	156
Mexico	54	94	95	114	123
Spain	49	69	111	70	114
Germany, West	199	181	177	141	119
Czechoslovakia	90	88	83	95	—
Poland	76	91	77	93	100
United Kingdom	81	87	96	88	84
Netherlands	114	116	103	110	79
France	50	62	62	64	70
Canada [2]	43	66	64	60	62
Hungary	46	56	40	55	51
Belgium-Luxembourg	36	46	54	49	42
Yugoslavia	50	46	42	75	40
Sweden	36	24	24	25	29
United States	15	24	15	19	14
Switzerland	20	14	15	14	11
Total	1,631	1,927	2,080	2,113 [3]	1,969

[1] Preliminary. [2] Pieces converted to pounds. [3] Includes an estimate for missing data for countries shown.

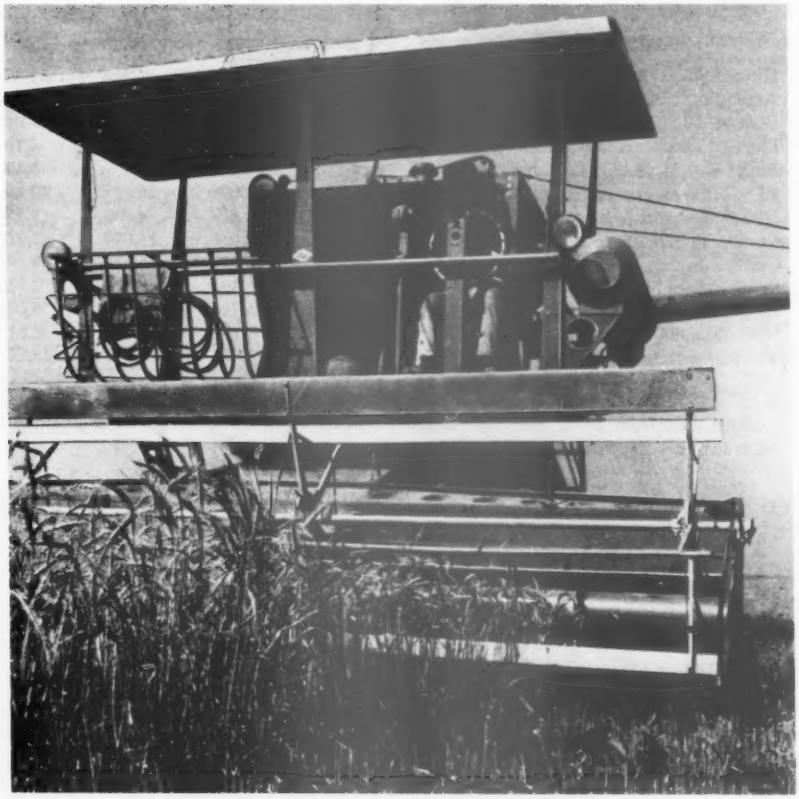
CATTLE HIDES: EXPORTS FROM SPECIFIED COUNTRIES
[In millions of pounds]

Country	Average 1961-65	1968	1969	1970	1971 [1]
United States [2]	570	809	917	928	986
Australia [3]	90	112	139	154	174
France	82	135	131	124	151
Germany, West [4]	90	116	100	132	148
Argentina [5]	373	349	366	338	139
Canada [2]	73	129	113	105	103
Netherlands	72	81	70	83	81
South Africa, Republic of	55	47	50	52	65
New Zealand	41	55	66	67	64
Belgium-Luxembourg	45	52	50	49	54
United Kingdom	22	46	46	49	50
Brazil	30	31	126	79	49
Denmark	25	36	38	36	38
Kenya, Uganda, Tanzania	29	29	31	30	30
Ireland	12	25	25	27	30
Sweden	24	30	32	35	31
Paraguay	17	16	15	19	18
Uruguay	44	7	6	5	2
Total	1,694	2,105	2,321	2,312	2,213

[1] Preliminary. [2] Includes pieces converted to pounds. [3] Year beginning July 1. [4] Includes buffalo hides. [5] Includes calf and kip skins.

At right, grain being transferred from a truck to a country silo. Harvesting wheat, below, for a crop estimated at over 8 million tons this year. Bottom, new 50-ton bulk grain railcars.

Argentina Expects Record Grain Production, Exports To Double



By JAMES P. RUDBECK
Assistant U.S. Agricultural Attaché
Buenos Aires

A RARE COMBINATION of extremely favorable winter and summer weather this crop year leads Argentina to expect a record grain harvest and a doubling of exports over last year's. Despite a mere 7-percent increase in area planted, production is expected to swell by 60 percent over the 1971-72 level, and exports may be at their highest level since 1937's 13.7 million metric tons.

Total grain production could reach close to 25 million tons, as opposed to the poor level of 15.3 million last year and the previous record of 21.8 million in 1969-70. In 1969-70, however, acreage was about 3 percent higher than this year's 17.9 million hectares (44.3 million acres). The total export availability is forecast to exceed 12.5 million tons, compared with exports of 5.6 million in 1972 and 10 million in 1970.

With world prices at strong levels, the potential export volume this year could earn Argentina around $850 million, an increase of about $500 million over the value of last year's grain exports and some $350 million more than in 1970. If the base level of total exports was not to change in 1973 over 1972, these larger grain export earnings would mean around a 25-percent gain in total foreign trade.

The only major uncertainty remaining for the fulfillment of this year's production forecast is the weather during the 3 or 4 months remaining before the summer crops—corn and sorghum—

Trucks waiting to unload grain at the port of Bahía Blanca.

will be in. As of early February, there was extreme optimism for the potential output of both grains, and record yields were being predicted. Although seeding of both grains was delayed by wet and unseasonably cool weather during September through November, timely rains fell during the all-important pollination period from mid-December to mid-January. It was during this period the year before that the plants were struck by widespread frosts, and they were prevented from recovering by the hot, drying winds that followed. This year, following the pollination period, intermittent rains and high humidity have favored the development of both corn and sorghum.

Barring extremely heavy rains or strong winds, a corn harvest of 9.6 million tons is forecast, although some people are forecasting more. This compares with 5.86 million tons in 1972 and 9.93 million and 9.36 million in the 2 immediately preceding years, respectively. The area under corn is down marginally from that of the previous season and is also below the levels of the preceding 4 years owing to shifts toward wheat, sunflowerseed, and cattle.

The grain sorghum harvest ends later than that of corn, but a balanced forecast—as of early February—of potential production would be about 4.8 million tons, compared with 2.36 million last year and 4.66 million 2 years ago. The area sown to sorghum was boosted 5 percent, but was still slightly less than the area planted 2 years ago.

The indicated levels of corn and grain sorghum production for this year could mean that at least 8 million tons will be available for export. If this export potential is realized, it would represent a minimum of 4 million tons more than was exported in 1972, and compares with a total of 8.7 million tons of these two grains exported in 1971.

The wheat crop—virtually all harvested by early February—was estimated by the Ministry of Agriculture at 8.2 million tons, at least 40 percent more than was gathered in the previous season, and many circles feel that the volume may have been slightly larger. (See *Foreign Agriculture,* Mar. 12, 1973, for further details on the Argentine wheat situation.) The wheat export availability is estimated at around 4 million tons, with in excess of 3.5 million already committed as of early February. If the full wheat export potential is realized, Argentina will export its largest volume of wheat since 1966; exports will be more than double those of 1972 and close to a fivefold increase over the 1971 level.

Looking at the other winter grains—barley, oats, rye, and birdseed—the largest volumes in many years were reaped, and the total output was close to 2 million tons. This was more than 50 percent higher than production of a year ago, as plantings were slightly higher and these grains were also favored with ample moisture. The export potential is the highest in many years although the actual level will depend on world market conditions. For example, Argentina has much more rye available for export this year than in the past several years, but world demand for this grain is reportedly weak.

Yugoslav Crops Suffer Setback in '72—May Give Impetus to U.S. Farm Sales

By James R. Hickman
U.S. Agricultural Attaché
Belgrade

A relatively poor grain harvest stemming from erratic weather in 1972 indicates that Yugoslavia's import requirements from the United States will continue at present high levels, or increase slightly.

Yugoslavia's thriving livestock industry is a growing consumer of U.S. corn and soybean meal, although corn is also produced domestically. The livestock-based farm economy operates at the expense of grain production, since to maintain exports of meat and live animals, sufficient feedgrain must be produced or imported.

Most cereal crops suffered setbacks in 1972 and supplies are not expected to be sufficient to meet growing domestic needs and to rebuild grain stocks drawn down by demand for feed. Briefly, spring crops in 1972 were affected by drought, while heavy rains made harvesting difficult and lowered quality. Continuing rains in the fall hampered winter wheat planting and soil preparation for this spring.

Estimates place the 1972 **wheat** harvest at 4.8 million tons, down 14 percent from the record 1971 crop, from an area similar to that of 1971. Planting area in the fall of 1972, however, declined by about 12 percent below the previous year, owing to the unfavorable weather at planting time. Consequently, this year's wheat harvest may drop to only about 4.2 million tons.

Because of the continuing shortage of feedgrains and high corn prices, many Yugoslav feeders have substituted wheat for corn in their animal rations in recent years. About 14 percent of the 1971 wheat crop was used for animal feed.

To meet heightened demand, wheat imports for the 1972-73 marketing year have been estimated at 500,000 tons, of which 400,000 tons have already been purchased from the United States under Commodity Credit Corporation credit. Another 50,000 tons were imported from Bulgaria, leaving an additional 50,000 tons to be purchased in the first half of 1973.

In an effort to rebuild carryover stocks for next season, the Government may decide to increase the level of wheat imports even further. Certainly the reduced acreage planted to wheat this season suggests that import requirements will stay high in the 1973-74 marketing year.

Output of other foodgrains—**rice** and **meslin** (a mixture of grains)—in 1972 amounted to 33,000 tons, compared with 39,000 tons a year earlier. From about 30,000 tons of paddy rice in 1972, Yugoslavia produced 18,000 tons of milled rice—only 43 percent of domestic needs. Import quotas this year are expected to be in the area of 25,000 tons of rice to meet food needs.

Corn is currently the basis for most livestock feeding in Yugoslavia since it is available domestically and, until recently, production has met livestock industry demands. However, livestock expansion—geared mainly to the export market—has made Yugoslavia increasingly dependent on feed imports, with most of such purchases coming from the United States.

In 1972, Yugoslavia produced a corn crop of 7.9 million tons. However, the crop contained a high degree of moisture—in some cases as high as 30 percent—so production after drying will probably be considerably less. Also, spoilage rates were high because of moisture. Therefore, the nutritive value of the crop was probably about equivalent to a harvest of 7.1 million tons—suggesting that imports of corn will be required during the current marketing year.

During fiscal 1973, Yugoslavia's corn purchases from the United States have been about 360,000 tons. Because of the corn harvest's poor quality, Yugoslavia expects to import $28 million worth of feedgrains this year to supplement production. How much of this will be corn, barley, or rye will depend primarily on prices on world markets during this year.

The 1973 corn harvest could relieve the feed shortage somewhat, since reductions in wheat acreage may be reflected in an increased area planted to corn this spring. Corn area could reach 6.4 million acres if spring planting conditions are favorable. Depending on weather, corn output in 1973 might total 8 million tons, the minimum amount needed to satisfy domestic needs for livestock feeding.

Overall production of other feedgrains turned downward in 1972, with oats and rye declining considerably, although barley output rose a slight 5 percent.

Oilseed output suffered as sunflower harvesting acreage declined by 7 percent during 1972, while production of 278,000 tons represented a 20-percent drop. To encourage farmers to grow more sunflowers this year, the Government is reportedly increasing the support price for seed. If the new price is approved before the planting season, sunflower area may rise.

To fill domestic needs, Yugoslavia imported a total of 108,000 tons of animal and vegetable fats and oils during the first 10 months of 1972. Of this, about 90,000 tons was U.S. crude soybean oil and 10,000 tons was sunflowerseed oil from East Germany and Poland.

Yugoslavia is interested in importing oilseeds for crushing in local oil mills which are inadequately supplied with domestic oilseeds. Average sunflowerseed production of about 300,000 tons utilizes only about 50 percent of the mills' crushing capacities.

Soybean meal is one of the commodities for which Yugoslavia represents a continuing U.S. market, as only negligible amounts are produced. During the first 10 months of 1972, imports reached 110,000 tons, about the same quantity as the previous year—and all of the meal was purchased commercially from the United States. With Yugoslavia's improved balance of payments and increased demand for protein supplements, soybean meal purchases will probably increase this year.

Production of **beef and veal** in 1973 may rise to 310,000 tons, an increase of 10,000 tons over 1972, as a result of the estimated rise in cattle numbers early this year due to a prohibition on

Beef in modern slaughterhouse (left) will be canned for export or marketed fresh domestically. Farm family (center) handpicks cotton near Strumica, Macedonia. At right, Vojvodina peasants harvest wheat.

slaughtering cattle below a certain weight (882-992 lb. liveweight). Also, the anticipated higher livestock support prices will provide a strong incentive for the development of the industry during 1973. Higher demand for beef and veal both on local and world markets—especially in the European Community—offers favorable prospects for marketing cattle and cattle products.

During 1972, exports of live **cattle** reached a record 154,000 head. However, this is expected to decline by 25,000 tons of cattle in 1973, provided Yugoslavia produces or imports sufficient feed and the Government enforces its ban on exporting baby calves. As live cattle exports decline, exports of beef and veal are projected to rise.

During the past 3 years Yugoslavia has imported about 1,000 head of Holstein-Friesian cattle from the United States (see *Foreign Agriculture*, July 24, 1972). Yugoslav dairy producers are greatly interested in this breed, but further imports may be postponed until a later date for financial reasons.

Pork output in 1973 will probably rise only a modest 3 percent over last year, owing to continued high feeding costs resulting from the reduced corn crop, as well as Government price freezes for pork and products. If support and retail prices rise early in 1973, pork output may increase.

During the first 10 months of 1972, pork exports reached a new high of 30,000 tons, exceeding exports for all of 1971. In recent years, the United States has been a major purchaser of Yugoslav pork products, especially canned hams and shoulders. But because of high domestic needs, pork exports are likely to fall in 1973 despite a strong demand and favorable prices for pork on world markets.

As a result of the sharp increase in **poultry** numbers during the last several years, further rises are not expected in 1973. Local consumers continue to prefer red meats at the expense of poultry and current production is sufficient to meet domestic demands. There are no known plans for exports.

Sugarbeet production increased by 10 percent in 1972, while acreage declined by 7 percent. Higher yields from abundant rainfall compensated for area decreases, but sugar content of the beets was lower than usual. Low support prices of sugarbeets and controlled prices of refined sugar make it unlikely that sugar acreage will climb, particularly since corn and wheat are more profitable crops.

Because of low stocks and reduced sugar production in 1972, imports of sugar during 1972-73 are forecast at 350,000 tons.

Early estimates show deciduous **fruit** output at 1.75 million tons, a 22-percent increase over 1971. The important plum crop was better than previous years, but below early estimates. Although the grape harvest was 3 percent higher, quality was poor and sugar content low. The largest part of the 1972 harvest was processed into wine, also of a lower quality than previous years' vintages.

Exports of fresh and processed fruit in the current crop year are expected to be about 50 percent above last year, owing to the larger harvest. Fresh and processed fruit is mostly exported to Western Europe, while dried prunes are sold mainly to the Soviet Union.

Dry bean production was below expectation in 1972, and additional imports will be necessary during the first half of 1973. In 1972, Yugoslavia took 11,000 tons of dry beans from the United States, Argentina, and Mexico.

According to official estimates, lint **cotton** imports during the 1972-73 marketing year will reach about 100,000 tons. Last year, only 61,000 tons were imported, compared with 92,400 tons the previous year, because of higher cotton prices on the world market.

Although the Government liberalized cotton imports in December 1972, cotton mills signed an agreement that all imports will continue to go through the Federal Directorate for Industrial Raw Materials. Thus cotton purchases will still depend on the country's trade policies and agreements, instead of mills' being able to buy cotton freely on world markets on the basis of price, quality, and availability.

Yugoslavia Balances Trade, Lowers Some Import Barriers

By James R. Hickman
U.S. Agricultural Attaché
Belgrade

A surprising recovery in 1972 from a persistent trade deficit has placed Yugoslavia—including the agricultural sector—in a newly favorable balance of trade position. Farm exports have soared to balance imports, principally through Government efforts such as currency devaluation, liberalized exports, and restricted imports.

During the first 10 months of 1972, Yugoslav farm exports totaled $256 million, compared with imports of $189 million, according to preliminary trade data. This represents an increase of 30 percent in exports and a decrease of 24 percent in imports, compared with the same period of last year.

Some important items are excluded from the trade data, however, such as vegetable oil, sugar, cotton, wool, and hides and skins, so that the agricultural trade balance may not be quite so favorable for Yugoslavia as indicated. But it is still remarkably improved from last year.

Yugoslav exports to the United States have trended upward in recent years. But during July-December, 1972, the United States purchased $12.8 million worth of farm products from Yugoslavia, compared with imports of only $14 million for the corresponding period a year earlier.

The upward trend of Yugoslavia's exports to the United States—added to the country's declining stocks and higher requirements for feedgrains and soybean meal to feed the burgeoning livestock industry—places the United States in a favorable position for supplying the Yugoslav market this year.

Yugoslavia's gains in the value of farm exports resulted primarily from expanded shipments of live animals and meats, which in 1972 totaled about $247 million, an increase of 34 percent over 1971. Most shipments went to European Community countries. Exports of other agricultural products changed little in value, compared with 1971.

During 1972, the United States was Yugoslavia's most important supplier of wheat, corn, and vegetable oil. Total U.S. exports to Yugoslavia in 1972 are estimated at over $95 million, a decrease from 1971's high of $101.1 million, when poor harvests left Yugoslavia critically short in some field crops.

Yugoslavia used virtually all of a $70-million line of credit from the Commodity Credit Corporation for purchases last year. According to Yugoslav officials, $70-80 million will be requested for 1973, to be used mainly for wheat, feedgrains, edible oil, and possibly breeding cattle.

Needed farm commodities imported by Yugoslavia in 1972 were similar to those in 1971, consisting largely of wheat, rice, feedgrains, coffee, meat, milk, hops, oilseed meals, and some others. In addition, Yugoslavia imported sugar valued at $60 million and vegetable oils worth $42 million. During the first 10 months of 1972, cotton imports totaled $60 million; wool imports, $25 million; and hide and skin imports, valued at a total of $23 million.

Although the negative balance of payments occupied Yugoslavia's problem spotlight in 1971, inflation was one of the most pressing problems in 1972. Despite Government price controls, the cost of living index rose 17 percent during 1972.

Soaring Yugoslav prices all but nullified the beneficial effects of the two monetary devaluations in 1971. Although foreign buyers were able to purchase dinars at devalued rates, inflated prices of agricultural products often canceled trade advantages.

Farm prices climbed rapidly in 1971 and 1972 because of lowered output during the past two seasons, stemming from poor weather. Also a price freeze initiated in November 1971 was lifted in June 1972, causing prices to rise. However, ceilings on selling prices for basic foods continued to provide protection to consumers. During 1972, ceilings were raised for vegetable oil, margarine, cotton yarn, sugar, and wheat flour and prices increased.

In an effort to stimulate output and control production costs, the Government raised all support prices for agricultural commodities in 1972. Both guaranteed and minimum prices were raised considerably.

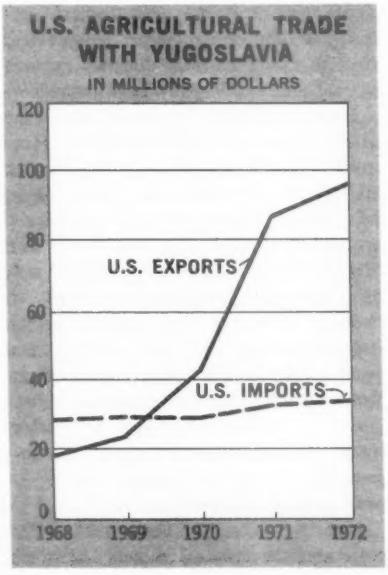
Under price guarantees, products are purchased by the Government if producers are unable to sell at specified prices or above. These price levels were increased to between 8 and 30 percent for such commodities as grain, rice, some vegetables, dried plums and prunes, meats, broilers, cotton, and wool, among other products.

Minimum prices—intended to protect producers of farm goods grown on contract—were raised for sunflowerseed, soybeans, sugarbeets, and tobacco. Also, new minimum prices for milk were set to stimulate output of milk and products.

Compensation payments were approved in 1972 to certain food processors who were caught in the squeeze between the higher support prices to producers and the controlled retail food prices to consumers.

During 1972, some agricultural trade barriers—imposed during the past few years to balance trade—were eased. This may lead to increased imports of needed farm products, depending largely on whether this year's production meets domestic needs.

Through trade liberalization, Yugoslavia hopes to replenish food and feed stocks by importing commodities which



were hard hit by below-normal harvests. Prices of imported farm products, which became more expensive when the dinar was devalued in 1971, will decline somewhat. Also, imported products will be available to consumers at prices in line with the limits imposed by the country's stabilization policies to hold down prices.

Tariff barriers. Imports became somewhat cheaper in March 1972, when the Government reduced the import tax on most agricultural goods from 6 percent to 2 percent. This tax, imposed in 1970 to improve the balance of trade, is scheduled to remain in effect throughout 1973. Tax reductions affected 18 important farm commodities, including vegetable oil, feedgrains, cotton, oilseed cake and meal, hides, wool, sugar, and some vegetable fibers.

Customs tariffs for farm product imports, which vary from 3 to 10 percent ad valorem, were suspended in June 1972 for eight products including butter, soybean oil, sugar, oilseed cake and meal, and sunflowerseed oil. This was done to lower prices to Yugoslav consumers and was for 1972 only.

Many commodities are free of customs tariffs, such as cotton, food and feedgrains, livestock for breeding, milk, and some dairy products. However, special import fees imposed in 1968, in amounts of 1 and 3 percent ad valorem, continued in effect in 1972.

SURCHARGES ARE imposed by the Yugoslav Government to prevent low-priced imports from competing with domestic products. These represent the difference between Yugoslav market prices and the most favorable landed import price, including customs duties. In 1972, import charges on 12 commodities—such as cheeses, some vegetables, beef, and rice—were canceled because of domestic shortages, while others were changed during the year, depending on the market situation. To date, surcharges have been set for over 100 farm imports.

Nontariff barriers. In addition to the free import list and the existing four categories of regulated imports, a new category of regulated imports—called a liberalized permit—was introduced in December 1972. Some 1,500 commodities were transferred from the restricted category to liberalized importation. Cotton and some types of wool were among these products.

Liberalization of cotton imports gave Yugoslav importers a wider choice of markets by allowing mills to buy foreign currency from banks. Previously, the Government supplied mills with foreign currency covering only 40 percent of import requirements. The balance had to be earned by the industry through exports. Therefore, cotton could be imported only from countries which accepted Yugoslav goods in trade.

Shortly after cotton imports were liberalized, however, all mills signed an agreement that imports will continue to go through the Federal Directorate for Industrial Raw Materials.

Reportedly, mills wish to continue importing through the raw materials office for financial reasons rather than using their right to purchase cotton on the world market and import it

(Continued on page 20)

Peasant hoes sugarbeets in Vojvodina (above). Holsteins imported from the United States are milked by farm worker (top right). At right, Serbian farmers store corn in these sturdy cribs.

Uganda's 5-Year Plan May Change Traditional Farming Methods

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Although modern farm technology plays only a minor role in Uganda's agriculture, its farmers produce nearly all the food and fiber required to meet the country's needs and still provide a surplus for export valued at some $195 million annually. About 23 percent of these exports are bought by the United States.

In 1971, the United States imported $43.1 million worth of Ugandan farm products, mostly coffee, crude tea, and yeast. Coffee made up 96 percent of the total. This was down from 1970 imports of $42.7 million.

Agriculture, the backbone of the economy, accounts for nearly 83 percent of Uganda's total exports, which in 1971 reached $235.5 million. Coffee and cotton alone made up over 70 percent of the total.

Traditional farming methods have enabled Uganda's farmers to meet the country's needs up to the present time, but the Government's 5-year plan to modernize agriculture, reduce imports, and increase exports may force some Ugandan farmers to abandon current practices and adopt 20th century farm methods. However, there are many obstacles to successful fulfillment of the Government's program.

Sugarcane and tea are the only significant crops grown on plantations adaptable to modern cultivation methods. Other cash crops, such as coffee and cotton, as well as food crops, are grown by smallholders.

The country's unique cropping pattern, whereby several crops are grown concurrently on the same small plot of land, impedes rationalization of the agricultural economy. But to the present time at least, traditional growing and marketing patterns have been assets instead of liabilities because of the country's small industrial base.

Some 1.2 million holders of farmland (including holders of large estates) cultivate approximately 11.5 million acres, making the average farm just under 9.6 acres in size. More than one-half of the farms are 5.6 acres or less, and only 8 percent are larger than 25 acres.

The typical Ugandan smallholder simultaneously cultivates several plots averaging less than 1 acre. Mixed cropping is practiced on 44 percent of these plots and on 50 percent of the country's total cropland. More acreage is devoted to cotton than to any other crop except sweetpotatoes. And more farmers grow cotton than any other crop except plantains, a type of banana which serves as the country's basic food item. Coffee is grown in pure stands on only two-fifths of the coffee acreage.

The nature of Uganda's agricultural structure makes it highly labor intensive and rather inflexible. Fully one-third of the country's small farmers operate outside the monetary economy and a large number of these grow commercial crops such as coffee and cotton—in contrast to many countries where commercial crops are grown on estates. A typical farmstead may include a mixed grove of plantains and coffee, side by side with mixed fields of peanuts, pulses, corn, beans, peas, millets, cotton, cassava, and potatoes.

Because Uganda's climate is more nearly temperate than that of surrounding nations, crops can be planted and harvested throughout the year. For example, cotton planting begins in April and continues through August in eastern Uganda where about one-half of the country's crop is grown, although most cotton is planted between May and July. It is picked in small lots as it ripens. Similarly, coffee is picked almost continuously.

Small mixed plots and continuous planting and harvesting of food crops permit an evenly distributed use of the labor force. Instead of making several pushes a year to harvest particular crops, with periods of inactivity in between, the labor force's efforts are more or less spread evenly over the 12-month period. The size of these plots, not suited to mechanization, also lessens the demands for a strong infrastructure such as roads, transport, and warehouse facilities to move and store massive harvests of farm products.

Coffee, for example, is grown primarily on mountain slopes, inaccessible except on foot. Normally, each farmer picks a few coffee beans, handhulls them, and dries them at home. Because of the small quantities involved, each farmer is able personally to transport the dried beans to buying centers, often in hand-carried packages. Most cotton is moved to market in the same manner.

Unlike cash crops, Uganda's food products are harvested and mostly consumed at home. Only a small portion is sent to market. The country boasts few large cities. Kampala, the capital, with a 1969 population of 332,000, is the only city having over 50,000.

Except for food items sold in city markets, commercial demand for food is small because Uganda has only a relatively small and uncoordinated domestic marketing structure and the population's purchasing power is weak.

Although Uganda's agricultural sector has remained relatively strong in recent years, its general economy suffered materially in 1971. Foreign exchange reserves fell from $44.8 million at the beginning of the year to $25 million in July and continued downward to only $17 million in February 1972. The 1971 export total was 4.2 percent below the previous year, but imports were up by a dramatic 57.4 percent to $191.8 million. Most of the shift in trade balance occurred outside the agricultural sector.

Significantly, Uganda changed from an exporter of sugar to an importer in 1971 so that total export earnings from the agricultural sector were well below those of a year earlier. Export gains registered by coffee, tea, raw cotton, and cottonseed oil were not sufficient to offset the loss in sugar exports.

Supplies of sugar and cottonseed oil were critically short in late 1971 and signaled a major shift in domestic availability of these basic commodities. Sugar consumption rose from 105,000 tons in 1968 to nearly 150,000 in 1971. During the same period, production dropped from 150,000 tons to around 140,000 tons.

The domestic shortage of sugar and vegetable oil, and a large stockpile of coffee, the country's No. 1 export commodity, point up the necessity for the agricultural reforms the Government is attempting to achieve.

Following a change in governments in early 1971, Uganda revamped its Third Five-Year Development Plan (1971-72 to 1975-76). Like the Second Five-Year Plan, the current one sets rather optimistic targets for agricultural production.

General goals for the agricultural sector were outlined as follows:

- Maintenance of self-sufficiency in major food products; achievement of self-sufficiency in maize, onions, potatoes, rice, timber, and sawn wood by the end of the Plan period; and a considerable reduction in dependence on wheat and milk imports;
- A sustained increase in agricultural production, to an average of 4.9 percent per annum for marketed output. The share of subsistence production in the gross domestic product is to be reduced by three percentage points from the 1967-69 base of 31 percent, to 28 percent by 1976;
- The expansion of agricultural exports is to be advanced at the maximum feasible rate. Despite the expected decline in average export income, primarily because of the behavior of coffee prices, total receipts from agricultural export sales are expected to rise by 4.5 percent annually from the 1967-69 base.

Efforts will be intensified to identify and expand output of those products which can be utilized as inputs for food processing and other manufacturing industries.

In order to achieve these goals, allocation of financial resources to the agricultural sector has been fixed at the maximum which can be effectively utilized. Policies and programs for development of agriculture are designed to provide the best use of financial, land, and human resources. Functional aims of the Plan are to increase farm yields and productive acreage. Greater emphasis will be placed on governmental services (such as research and extension) which affect both yields and acreages, and expansion of formal training for farmers and extension workers.

The Plan's production targets for 1976, compared with the 1967-69 average, in thousands of metric tons (except for cotton which is in thousands of bales), are:

Item	Average 1967-69	Target 1976
Arabica coffee	13.6	20
Robusta coffee	165.7	160
Sugar	143.2	240-250
Tea	14.7	38.4
Tobacco, fire-cured	1.4	3
Tobacco, flue-cured	2.5	5
Cotton	398	600-1,000

The most significant changes in production strategies and targets involve

Uganda's main crops are usually grown by smallholders. Top, a tobacco curing barn; above, women cultivating young cotton; right, worker in banana grove.

Ugandan coffee enroute to buying center.

a reduction of Robusta output and a large increase in cotton outturn.

To avoid overproduction of coffee and to increase export prices, production strategy aims at encouraging alternative agricultural activities, such as dairying and raising cocoa and horticultural crops. Strong incentives will be required to induce farmers to reduce the number of coffee trees which are frequently intermixed with plantains. Coffee is easily grown and handled and it is a traditional crop. Trees now bearing will continue to do so and, for the most part, hilly slopes on which they grow are ill-suited for row crops.

Unlike coffee, cotton is not faced with market-quota limitations. The factors that inhibit changes in coffee production patterns, however, are essentially the same as those affecting cotton production. The 750,000 cotton growers have other crops mixed in with cotton on 26 percent of the acreage.

The target for cotton production was set at 575,000 bales during the previous Plan period (1965-70). However, production fluctuated between 345,000 bales and 470,000 bales.

The 470,000 bales produced in 1969-70 represented a record crop, but production was still well below the planned target. Successful achievement of current targets hinges on how well the Government policies resolve basic production problems.

In addition to small-scale, fragmented farms, the lack of sufficient credit, as well as the lack of operating cash by the country's cooperatives, are also principal bottlenecks to modifying production. Adequate storage and transport facilities will be required.

The target set for sugar seems easier to attain. Sugarcane is grown primarily on large estates and major expansion efforts now underway will undoubtedly increase output, although production by smallholders will be encouraged.

When the factory is completed a new plantation at Kinyala in Bunyoro District is expected to produce sufficient cane to permit the mill there to operate at its full capacity of about 45,000 tons of white sugar by 1976. Additional production from this new plantation, coupled with increased output from existing facilities, could push sugar production to around the target level of 240,000-250,000 tons, compared with 143,000 tons in 1970.

CANADIAN TOBACCO FACES PROBLEMS AS UNITED KINGDOM JOINS COMMON MARKET

Entry of the United Kingdom into the European Community (EC) poses problems for Canadian tobacco.

Two alternatives to a potentially unexciting future for the Canadian producer have recently been investigated. The Ontario Flue-Cured Tobacco Growers' Marketing Board emphasizes increased sales to nontraditional markets such as the People's Republic of China (PRC), and a recent University of Guelph study advocates increased production to take advantage of market opportunities wherever they may be.

Traditionally a major market for Canadian unmanufactured tobacco, the United Kingdom has offered Canadian tobacco the advantage of the Commonwealth Preferential Tariff, worth about 19 U.S. cents per pound compared with U.S. tobaccos. Canadian producers also have been able to supply a flavor type of tobacco acceptable to British smokers. The traditional cigarette in the United Kingdom is made with all flue-cured tobacco containing no additives.

However, erosion of the U.K. market will not be entirely due to a change in the tariff policies of the United Kingdom. In recent years, high fiscal charges on tobacco in the United Kingdom (US$12.10 per lb.) and antismoking legislation have reduced U.K. consumption growth below levels that could be expected considering the country's rate of population and economic growth.

Despite these factors, British manufacturers have indicated increased purchases from the 1973 and 1974 crops of 71.5 million and 63.5 million pounds, respectively, so that export forecasts for the next 2 years appear favorable. But the Board is still concerned by the long-term effect of the United Kingdom's entry into the EC.

Canadian tobacco specialists have indicated two directions the industry may take to achieve growth:

- First, a gradual increase in Canadian tobacco production, combined with an aggressive export marketing policy that would allow Canada to compete effectively in world markets;
- Second, sales of Canadian-flavor tobaccos in nontraditional markets, such as the PRC.

In a much-debated publication released by the University of Guelph in August 1972, the authors concluded that the acreage control policies of the Ontario Flue-Cured Tobacco Growers' Marketing Board have not only failed to enhance producer prices, but also have resulted in less earnings for the producer because of production restrictions. Moreover, the study indicates that the curtailment of Ontario's production may have promoted production in the Maritime Provinces. At the same time it prevented the need for aggressive market development, thus jeopardizing Ontario's ability to fulfill its competitive potential in international tobacco markets.

In terms of value, tobacco has traditionally been Canada's second highest agricultural export after wheat. The 1971 Ontario crop, which accounts for almost all the Canadian production, was slightly more than 200 million pounds.

The average growers' price for flue-cured tobacco in 1971 was 64.83 cents per pound compared to 65.17 cents per pound in 1970. Latest market reports indicate that 146 million pounds of Ontario flue-cured tobacco have been sold to date at an average price of 79 Canadian cents per pound.

The other solution suggested for Canadian tobacco is development of nontraditional export markets. The first sale to the PRC—about 600,000 pounds, reported in May 1972—represents an attempt by the Ontario Flue-

Cured Tobacco Growers Marketing Board to tap a potentially large export market.

While China is the largest tobacco-producing nation in the world, its flue-cured tobacco is a filler-type product that has a bland aroma and flavor. The high-quality Canadian tobacco is considered to have a flavor that would upgrade the quality of Chinese-produced cigarettes.

Board officials believe that China is about to launch a campaign to export cigarettes. If China is to be successful in the drive, flavor-type tobacco will be needed to blend with its filler types, and once Chinese manufacturers start using Canadian tobacco in their blends, they would fear making sharp switches because of the possibility of losing customers. Thus, Board officials envision a yearly market for 20 million pounds of Canadian tobacco.

In view of future prospects for Canadian tobacco exports, some observers believe that the present Ontario Marketing Board policies may not be suitable for conditions which it will encounter. Acreage quotas promote the production of lower quality tobacco by stressing the use of maximum yield-producing technology.

Presently, the Board is looking for a more reliable way to control tobacco production and is considering tobacco quotas expressed in terms of poundage. Canadian production targets have been surpassed in both 1970 and 1971 partly due to favorable weather but also longer rotation periods, higher fertility, larger plant populations, and higher yielding varieties.

However, 1972 yield was down by more than 10 percent, although acreage increased 5 percent over the previous year. Harvested flue-cured tobacco acreage rose slightly in 1972 to 99,120 acres from 93,233 acres in 1971, reversing the declining trend of the previous 4 years, but still well below the 1967 record production of 140,444 acres. Acreage increased in Quebec, Ontario, and the Maritime Provinces. In 1972, Maritime growers planted 5,256 acres as follows: Prince Edward Island 3,500 acres; Nova Scotia 1,260 acres; and New Brunswick 360 acres. This was 400 acres above the 1971 level.

The 1972 production of flue-cured tobacco is estimated at 179.5 million pounds. This compares with 217 million pounds in 1971 and 214 million pounds in 1970. The major factor causing this drop in production is the lower Ontario crop of 165 million pounds. Difficulties arising from the late frost in June 1972 contributed to sharply lower production. Replanting was completed during the following 2 weeks and a frost-free fall resulted in a successful crop year, despite early predictions of crop failure.

To spur growth in the tobacco industry, Canadian specialists have suggested that the industry gradually increase production, and put new emphasis on aggressive export marketing of Canadian-flavor tobaccos especially in nontraditional markets.

Quebec flue-cured crop estimates also were lower for 1972 due to excessive rainfall during the crop year. Yield per acre was down sharply at 1,096 pounds per acre, compared with 1,502 pounds per acre in 1971. The average Canadian yield per acre for flue-cured in 1972 was placed at 1,757 pounds, down from 2,330 pounds per acre in 1971 due to the unfavorable weather.

Replanting of the Ontario crop and partial recovery of the plants damaged by frost has made the tobacco harvest later, but marketings at this point indicate quality similar to that of the previous year.

The domestic stock position of manufacturers is said to be high according to officials of the Ontario Board, and this stock will be used to maintain present export markets.

Despite the need for adjustments, present policies of the Ontario Board appear unlikely to change in the near future since producers are apparently in firm control of present policies. On occasion, the Board has requested export subsidies for tobacco to allow it to maintain control of the market.

Considering the present direction of Canadian agricultural policy, a Federal subsidy payment, or a two-price system for tobacco, is unlikely as long as tobacco is controlled by organizations which are granted their authority at the Provincial level.

AREA AND PRODUCTION OF CANADIAN TOBACCO 1970-72

Area	1970 Harvested	1970 Production (green wt.)	1971 Harvested	1971 Production (green wt.)	1972 (estimate) Harvested	1972 (estimate) Production (green wt.)
		1,000		*1,000*		*1,000*
Quebec:	*Acres*	*lb.*	*Acres*	*lb.*	*Acres*	*lb.*
Flue-cured	6,817	10,187	7,107	10,675	7,300	8,000
Cigar	2,617	4,014	2,550	3,825	1,000	1,250
Pipe	377	423	400	480	200	200
Total	9,861	14,624	10,057	14,980	8,500	9,450
Ontario:						
Flue-cured	92,289	199,014	81,270	201,779	86,000	165,000
Burley	1,276	2,726	921	2,065	1,412	3,250
Dark [1]	323	561	435	780	455	870
Total	93,888	202,301	82,626	204,624	87,867	169,120
Maritimes:						
Flue-cured	4,464	4,938	4,856	4,808	5,120	6,500
All Canada:						
Flue-cured	103,620	214,139	93,233	217,262	99,120	179,500
Burley	1,276	2,726	921	2,065	1,412	3,250
Cigar	2,617	4,014	2,550	3,825	1,000	1,250
Dark [1]	323	561	435	780	455	870
Pipe	377	423	400	480	200	200
Total	108,213	221,863	97,539	224,412	102,187	185,070

[1] Air and fire-cured. Statistics Canada, *Leaf Tobacco Acreage, Production, and Value, 1971.*

CROPS AND MARKETS

FRUITS, NUTS, AND VEGETABLES

U.K. Halts Purchase Tax on Fruit Juices, Soft Drinks

The U.K. Government has announced that, effective April 1, those food items previously subjected to an 18-percent purchase tax will be zero rated under the value-added tax system which becomes effective on that date. The category affected includes fruit juices and fruit-juice based drinks. One of the more prominent items exported by the United States in this category is frozen concentrated orange juice.

Previously, it had been generally expected that any food items subject to the purchase tax would be taxed at the full value-added tax rate of 10 percent beginning April 1. The zero rating of the items is viewed as an anti-inflation measure. The U.K. announcement further indicated that while the items might once have been considered luxuries, they could no longer be so classified.

Moroccan Citrus Exports Up

Final trade figures released by the Office of Commercialization and Exportation (OCE) reveal Moroccan citrus exports totaled 610,920 metric tons during the 1971-72 marketing season. This compares with 584,460 tons in the preceding season. Most of the export increase in 1971-72 was in Valencias and clementines.

The Soviet Union was the largest outlet for oranges, taking nearly 183,000 tons, and was the second largest overall customer. France continued as top export market for all citrus, with shipments totaling 196,000 tons. West Germany was third most important. Collectively, these three countries accounted for 80 percent of total Moroccan citrus exports.

Citrus exports by type in 1971-72, with 1970-71 totals in parentheses (in metric tons), were: Oranges, 491,169 (461,880); mandarins, 31,954, (45,500); clementines, 86,029 (75,980); lemons, 620 (1,100); and grapefruit, 1,148 (0).

EC Announces Fruit and Nut Export Subsidies

The European Community recently announced export subsidy rates for certain fresh fruits and tree nuts. These rates, established by EC Regulation 2473/72, are in cents per pound as follows:

Sweet oranges and mandarins, extra and class I and II grades, 1.97; lemons, extra and class I and II grades, 0.71; hothouse table grapes, extra and class I grades, 7.88; shelled almonds, 5.91; in-shell walnuts, 3.94; shelled filberts, 1.97; and apples, extra and class I and II grades, other than cider apples—for export to various countries and African territories, except South Africa, the Arabian Peninsula, Syria, Bulgaria, Hungary, Poland, Romania, Czechoslovakia, the Soviet Union, Yugoslavia, Austria, Brazil, Venezuela, and Peru—1.48.

Rates were established in units of account per 100 kilograms and were converted at U.A.1=US$1.0857.

EC Sets Raisin Quota for 1972-73

The EC Commission has proposed the 1972-73 tariff quota for imports of raisins in containers of 33 pounds or less.

The 1972-73 quantity is equal to 15 percent of Community imports in 1970-71 and totals 2,742 metric tons (3,023 short tons). The quota (in metric tons) was distributed as follows: West Germany, 1,866; Benelux, 407; France, 425; and Italy, 44.

This quota, open to imports from all countries, originated in the EC-Iranian Trade Agreement of 1963 and provides a reduced tariff rate of 1.2 percent from December 1, 1972, to November 30, 1973.

U.S. Lemons Sold to Soviet Union

The Soviet Union, the world's largest importer of citrus, has purchased some 300 carloads (300,000 cartons) of California lemons. To be shipped in several lots to Baltic or Black Sea ports between mid-March and mid-April, this is Russia's first U.S. citrus purchase.

For nearly a decade, U.S. producers have shipped fresh lemons and grapefruit to some Eastern European nations, including Poland, Czechoslovakia, and East Germany, and the trade is hopeful Russia may also become a steady customer.

FATS, OILS, AND OILSEEDS

China's Oilseed Output Estimated Down in 1972

The latest estimates of Mainland China's 1972 production of soybeans, peanuts, and rapeseed show a further downward revision from previously reported totals. Soybean production in 1972 is now placed at 6.3 million metric tons—down 400,000 tons or 6 percent from the estimate for 1971. Peanut production in 1972 is revised downward to 2.4 million tons—7 percent or 180,000 tons below the previous year's volume. The estimate of 1972 rapeseed production is unchanged at 1 million tons—20 percent or 170,000 tons above a year earlier.

In addition, cottonseed outturn in 1972, based on estimated lint production, is calculated at 2.75 million tons—down about 14 percent or 465,000 tons from the previous year's estimate.

These four oilseeds constitute the major source of vegetable oil for Mainland China's domestic consumption. As a result of the above declines in seed production, oil availabilities in 1972 are roughly calculated to be 30,000 tons below the

previous year's volume. The annual increase of domestic oil requirements due to population growth is calculated at about 35,000 tons. Therefore, the implied 1973 oil deficit would be about 65,000 tons.

Chinese crop estimates are based on fragmentary data and are subject to error.

World Soybean Production Up 9 Percent

World soybean production in 1972 is now estimated at 47.5 million metric tons (1.745 billion bushels). The increase in 1972 world soybean production over the previous year, at 9 percent or 3.9 million tons, was the largest since 1965 and more than twice the average for the 1967-71 period.

Among the three major producing countries, the United States and Brazil accounted for about 70 and 30 percent, respectively, of the net increase in world production; while 1972 soybean production in Mainland China is now believed to have declined by about 6 percent or 400,000 tons from the year earlier volume.

The 1972 soybean crop in the United States is estimated at 34.74 million tons (1.276 billion bushels) for an increase of 9 percent or 2.73 million tons, which is double the average increase for the 1967-71 period. Brazil's 1972 soybean outturn, now placed at 3.34 million tons, was up 60 percent and production in 1973 is expected to show a further sizable gain and total 4.2-4.6 million tons. Mainland China is believed to have harvested a crop of only 6.3 million tons in 1972.

Statistics by country will appear in the March 30 issue of *World Agricultural Production and Trade*.

Peru Resumes Fishing, Results Inconclusive

On March 5, about 90 percent of the Peruvian fishing fleet resumed fishing for an all-out 2-3 week effort—to find out whether the basis exists for a sustained fishing effort. This is the first substantial fishing attempt this season, which began September 1.

Results of the first week's catch are still inconclusive. The tonnages of anchovies landed have been encouragingly large. However, the oil yield is reportedly below normal, an indication of immaturity in the fish caught. Also, the water temperature is still reportedly above normal, which would tend to discourage the presence of anchovies. Furthermore, while some areas along the coast reported heavy concentrations of anchovies, some usual fishing areas reported a dearth of fish.

The Peruvian Ministry of Fisheries has announced that only after this 2-3 week period of fishing, will its marine biologists be able to judge prospects for continued fishing.

SUGAR AND TROPICAL PRODUCTS

Guatemalan Sugar Output To Rise in 1972-73

Sugar production in Guatemala is expected to reach 271,000 short tons in 1972-73, providing weather conditions are favorable. This compares with the 1971-72 harvest of 260,000 tons and an average of 169,000 tons during 1963-64/1967-68. Exports from the 1971-72 crop are forecast at 95,000 tons, and stocks will probably increase by 6,000 tons. Domestic consumption will be an estimated 170,000 tons.

Most of the 1972-73 production increase will be because of a larger harvested area, but yields also have been generally rising. Owing to increased demand for both sugar and molasses, growers have enlarged plantings and have improved cane varieties and cultural practices.

Milling capacity is now up to 24,150 tons of cane per day, 14 percent above a year ago. There are 13 sugar mills now operating in Guatemala.

Kenya's Pyrethrum Crop Is Record

Kenya's 1971-72 (October-September) production of dried pyrethrum flowers totaled a record 31.8 million pounds, up 46 percent over the 1970-71 harvest of 21.8 million. The pyrethrin content of the crop was also good, averaging 1.35 percent, compared with 1.31 percent in 1970-71 and 1.25 percent for the 1969-70 harvest.

World demand for pyrethrum continued strong in 1972 and Kenyan officials anticipate a further increase in world consumption in 1973. Production may reach 37 million pounds in 1973, as farmers continue to utilize higher yielding plants and improved cultivation practices.

Kenya is the world's largest pyrethrum producer, accounting for nearly three-fourths of the total. The United States is the largest consumer, accounting for about one-half of the volume that enters world trade.

U.S. imports of pyrethrum extract and dried pyrethrum flowers in 1972 amounted to $8.7 million, of which $4.6 million was supplied by Kenya. In 1971, Kenya supplied one-half of U.S. pyrethrum imports valued at $6 million.

Soviet Sugarbeet Output Up, But Refined Sugar Total Off

Soviet sugarbeet production in 1972 was 5 percent higher than the previous year's output. While this could lead to a boost in beet sugar outturn, total sugar production (including cane sugar) is expected to be down slightly. Sugar imports during the current marketing year may be about the same as last year's or slightly higher.

Production. Soviet sugarbeet output in calendar 1972 is reportedly 75.7 million metric tons, 3.4 million tons more than was produced in 1971. Total refined sugar production —including white sugar refined from imported raw cane— was 1 percent less than the previous year's, totaling 8.9 million tons of white sugar.

Last year's decline was largely due to a drop in sugar produced during the early months of 1972 from 1971 crop beets. It is estimated only 800,000 tons of sugar were produced last year from 7 million tons of sugarbeets grown in 1971. Early in the latter year, 1.2 million tons of sugar had been produced from 1970-season beets.

Soviet sugar production during the last 6 months of 1972 is estimated at 6.9 million tons of white sugar, 5 percent more than the July-December 1971 output of 6.5 million tons. The production target for the 1972 period was 8.1 million tons. The 6.9-million-ton figure assumes that about the same amount of refined white sugar—1.2 million tons—was processed in 1972 from imported cane as had been the previous year. It also assumes that increased sugarbeet production in

1972 resulted in a proportionate increase in crop-year beet sugar outturn.

Total sugar processing from the 1972 sugarbeet crop is estimated at 7.7 million tons of white sugar (8.4 million tons, raw value) compared with 7.4 million tons of white sugar (8 million tons raw value) produced from the 1971 sugarbeet crop.

Trade. From September 1971 to August 1972, Soviet sugar imports were 2.2 million tons, raw value. The USSR also bought 800,000 tons of sugar from non-Communist countries for import during the current sugar year. Imports from Cuba may again be 1.4 million tons, raw value, the same as in 1970-71 and 1971-72. Exports may also be the same as in 1971-72—500,000 tons. This implies net imports of 1.7 million tons, raw value, the same as in 1971-72.

In 1971, East European countries supplied 200,000 tons of sugar to the USSR, while non-Communist countries provided only 600,000 tons. Thus Soviet imports from eastern Europe may increase both Soviet total and net imports.

Consumption. The increase in 1972-73 crop-year sugar production by about 400,000 tons of white sugar over that of 1971-72 and perhaps slightly increased imports during the current year may offset presumed stock depletion during 1971-72 and could result in about the same level of consumption for both years.

GRAINS, FEEDS, PULSES, AND SEEDS

Grain Exports and Transportation Trends: Week Ending March 2

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.78 million metric tons for the week ending March 2—a 1 percent decrease from the week before but 12 percent above the January weekly average.

Inland transportation rose somewhat from last week. Railcar loadings of grain totaled 31,760 cars, up 4 percent from last week. Barge shipments of grain, at 537,000 metric tons, were up 21 percent from the week before.

GRAIN EXPORTS AND TRANSPORTATION TRENDS: WEEK ENDING MARCH 12

Item	Week ending Mar. 2	Previous week	Weekly average, January	Weekly average, second quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	575	704	668	557
Feedgrains	711	762	675	595
Soybeans	493	335	249	351
Total	1,779	1,801	1,592	1,530
Inland transportation:				
Barge shipments of grain	537	444	497	559
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	31,760	30,647	33,287	30,923

Mobile Units Test Australian Wheat

For the first time this season, protein content of Australian wheat is being tested in the field by mobile units using simplified procedures. Nine of the units have been used to test an estimated 11 million bushels in a number of New South Wales growing areas.

In previous years wheatgrower associations have operated similar testing schemes, but they utilized costlier units which required more skill to operate, and which permitted only a limited number of tests per crop.

By comparison, operators of the new units trained for a shorter period and were stationed at all major delivery points. The new units are also being revamped so they can be used to test wheat in the field prior to harvest.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	March 14	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	3.12	0	1.98
USSR SKS-14	(1)	(1)	(1)
Australian FAQ [2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	2.85	+5	1.95
15 percent	2.81	−1	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	2.71	−6	1.81
No. 3 Hard Amber Durum	2.93	−4	1.86
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.08	+2	1.41
Argentine Plate corn	2.26	+1	1.56
U.S. No. 2 sorghum	2.14	0	1.47
Argentine-Granifero sorghum	2.15	+3	1.49
U.S. No. 3 Feed barley	1.81	+4	1.20
Soybeans:			
U.S. No. 2 Yellow	7.43	−7	3.73
EC import levies: [3]			
Wheat [3]	[4] 1.62	+4	1.65
Corn [5]	[4] 1.23	−2	1.11
Sorghum [5]	[4] 1.10	+2	1.06

[1] Not quoted. [2] Basis C.I.F. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 23 cents a bu. lower than those of other EC countries.

Khmer Rice Output Down; Imports To Mount in 1973

Paddy rice production in the Khmer Republic during 1972-73 approximated 1.1 million tons, according to recently published official estimates, compared with 2.1 million tons in 1971-72 and 3.8 million tons in 1969-70.

Widespread drought and disruptions caused by military activities caused most of the decline. The Khmer Republic was an important rice exporter through 1970, but is now faced with a growing need for imported rice and wheat flour.

Rice imports by the Khmer Republic increased from an initial 20,000 tons in 1971 (14,000 tons from Thailand and 6,000 from Japan) to about 110,000 tons in 1972. Major suppliers of rice imports in 1972 were Thailand, 66,000 tons, and the United States, 38,800 tons, including 10,000 tons transshipped from South Vietnam. Even larger rice imports from Thailand and the United States are scheduled for delivery in 1973.

U.S. agricultural exports to the Khmer Republic increased

from $5 million in 1971 to $12 million in 1972. Exports of U.S. rice directly to the Republic in 1972 were $5.7 million, accounting for most of the increase. Deliveries of wheat flour remained about the same at $1.7 million. U.S. exports of leaf tobacco to the Republic rose from $1.3 million in 1971 to $1.8 million in 1972, while deliveries of cotton remained about the same during both years at $1.5 million.

DAIRY AND POULTRY

Colombia Exports Broilers to Chile

Colombia exported 100 metric tons of frozen broilers to Chile at the end of February in a sale negotiated by a group of Colombian banks with the Central Bank of Chile.

The price is reported to have been 39 cents per pound f.o.b. Buenaventura (the retail price in Bogatá was reported at about 42 cents per pound). At this price, suppliers claim they lost about 5 cents per pound. However, most of this loss appeared to be offset by the 15 percent export subsidy which the Government pays on all minor exports. Freight costs were reduced by combining the broiler shipment with a shipment of frozen beef also destined for Chile.

If this shipment is successful, two additional shipments of 100 tons each are planned for later this year.

PEIA Promotion in Japan Gets Good News Coverage

Last October the Poultry and Egg Institute of America spent $500 to finance a seminar for Japanese cooking teachers, influencers of consumer patterns, and members of the press at the Nutrition College in Tokyo. Over 100 persons attended the event at which a prominent chef prepared a holiday meal featuring turkey and California citrus products.

The seminar's goal was to encourage these leaders to pass on to Japanese housewives a report on the advantages resulting from serving these U.S. products. The success of the event can be determined by the free publicity that appeared in 22 Japanese publications, including those of the Kyodo News Service, one of Japan's largest.

Figured at regular advertising rates, the space used to report the story of the food event and American poultry and citrus fruits was worth some $27,685, a return of more than 55 times the original investment.

Swiss Increase Import Charges On Eggs and Egg Products

Following complaints by Swiss producers that domestic eggs were unable to compete against imported ones, the Federal Council of Switzerland increased supplementary import charges (SIC) on shell eggs and egg products, effective September 1, 1972. The new SIC's, which will be in effect until December 31, 1973, are in addition to import duties currently being charged.

Import duties are issued by customs authorities, while the supplementary charges are applied by the Section on Imports and Exports of the Federal Division of Commerce.

Swiss consumption of shell eggs increased during the first 9 months of 1972 by 5 percent, compared with the previous period, and is estimated at 1,160 million eggs for the whole year. Per capita consumption is 180 shell eggs, rising to 210 eggs when egg products are included. Domestic production has remained stable.

Imports of shell eggs increased by 8 percent during January-September 1972, to 31,877 metric tons; those of frozen eggs, by 7 percent to 18,403 tons; those of dried eggs (whole and yellow), by 46 percent to 522 tons.

SWITZERLAND: SUPPLEMENTARY IMPORT CHARGES AND IMPORT DUTIES ON SHELL EGGS AND PRODUCTS
[In U.S. cents per pound [1]]

Commodity	New SIC	Import duty	Total
Shell eggs	2.5	1.9	4.4
Dried eggs (whole and yellow)	12.7	10.1	22.8
Others (frozen whole and yellow)	2.7	5.1	7.8
Egg albumen for other than technical purposes:			
Dried eggs	12.7	10.1	22.8
Others (frozen)	2.7	5.1	7.8

[1] Converted to U.S. dollar equivalents from Swiss francs per 100 kg. gross weight, based on an exchange rate of SW Frl=US $0.2794.

LIVESTOCK AND MEAT PRODUCTS

Cuba Cuts Beef Ration

Granma, the Cuban Government's official daily newspaper, recently announced a reduction in the beef ration. Although no previous or current ration levels were cited, it stated areas receiving a 4-ounce beef ration would not be affected by the new ruling.

The main reason given for the cut in the allowance was lack of growth in the cattle sector. Numbering some 7 million, the number of cattle reportedly stagnated or declined because of the high cost of feed in the world market; the 1970-71 drought which damaged pastures; lack of fertilizer to revitalize grasslands; and the high cost of protein meals, an important ingredient in compounded feeds.

To implement the cut, *Granma* announced beef rations will be distributed every 9 days instead of once a week; scholarship students who are fed at school will receive only 50 percent of their meat quota through home ration books; and because of increased availability of pork and poultry, consumers may exchange beef rations for pork and poultry or their derivatives.

Botswana Meat 'Bonus'

The spread between fixed purchase prices paid by the Botswana Meat Commission for sound carcasses and retail selling prices was so great in 1972 that the Commission is passing back to producers a "bonus" of 32 percent.

The payment—based on the Commission's purchase price—was higher than had been expected (a 25-percent bonus had been predicted earlier) and applies to beef, mutton, lamb, and goat meat. The current year's bonus for sound mutton, lamb, and goat carcasses delivered to the Commission had been fixed at 20 percent, but is subject to later seasonal revision.

The bonus for beef carcasses in 1973 has been revised upward by percentages ranging from 10 to 18.

CORRECTION: In March 5, 1973, issue, page 11, first table, 1971 average should read 1971-75 average.

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FOREIGN AGRICULTURE

EUROPEAN COMMUNITY DEBATES 1973-74 SUPPORT PRICES

EC Commissioner for Agriculture Pierre Lardinois recently informed the EC Council of Ministers that the Commission would be unable to submit its 1973-74 price proposals in time for the Council to decide on them before April 1, when new prices for the beef and milk sectors are scheduled to take effect. Lardinois has promised to submit the proposals by March 20 so that the Council can decide on them by May 1; thus, the 1972-73 beef and milk marketing years will be extended for 1 month.

Lardinois has indicated that the Commission will propose price increases averaging 2-3 percent. Increases might range from 1 percent for corn and 2 percent for wheat to 5 percent for veal and 7 percent for beef. The price proposals will cover practically the entire agricultural sector, particularly grains, livestock products and milk, poultry, sugar, and oilseeds.

Since these proposals are considerably less than the 5-7 percent being requested by European farm organizations and would be insufficient by themselves to offset the inflation of farm costs, the Commission is considering whether additional measures of income support should be proposed. Three additional measures which Commissioner Lardinois has advocated are premiums for the production of beef cattle, payments of 20-50 units of account (U.A.) per head of cattle raised in mountain regions, and aid to reforestation.

Italian Commissioner Altiero Spinelli has recommended that the Commission also consider an idea which he put forth last year—making direct payments up to 20 U.A. per hectare (about $10 per acre) on a limit of 20 hectares (about 50 acres) per farm, instead of raising grain prices. This proposal is aimed at giving some income relief to small farmers who are less able to benefit from price increases. Mr. Spinelli's proposal reportedly has some support from the British Commissioners. Commission President François-Xavier Ortoli, who is French, has reportedly promised to try to find a compromise proposal.

Yugoslavia Balances Trade *(Continued from page 11)*

freely. Mills which lack sufficient funds to purchase several months' supply at one time import cotton through the raw materials office and pay at time of delivery to the mills.

Thus cotton purchasing policies will probably continue to depend on Yugoslavia's balance of payments, bilateral trade agreements, and credit and barter arrangements, as in the past.

Yugoslavia regulates imports by setting quantitative limits—called commodity contingents—on needed agricultural commodities. Although some 52 basic foods are included in this category, import "contingents" were set for only 16 commodities in 1972—including feedgrains (605,000 metric tons), wheat (500,000 tons), and sugar (200,000 tons).

For some commodities, Yugoslav importers must obtain import approval from the Federal Secretariat for Foreign Trade. These include citrus and tropical fruit, some spices, lemon and orange juice, some oilseeds, cotton, and others.

Exports. Last year, most agricultural commodities could be exported from Yugoslavia without any restriction. But a special permit is now required for some products which Yugoslavia needs domestically, such as livestock for breeding, sunflowerseed and oil, corn, barley, and oats.

In June 1972, hide and skin exports were restricted because of reduced domestic supply. In October, potato exports required a special permit, due to the smaller crop. Also, in order to stabilize the local meat supply situation, the Government restricted exports of livestock and meat in October 1972, while meat import quotas were increased to higher levels.

Yugoslavia imposes currency retention quotas on exported products. These regulate the amount of earned foreign currency which a company can retain in its own account, with the remainder sold to the National Bank for dinars at a fixed rate.

But in February 1972, the Government increased the retention quota from 7 to 20 percent, leaving a larger amount of foreign currency to those who earn it through exports to be retained in their own accounts.